



The Commonwealth of Massachusetts
Office of the Comptroller
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MMARS Policy: Payroll

Issue Date: July 1, 2004

Date Last Revised: November 1, 2006

Types of Payments: Payments for Deceased Employees

Executive Summary

Once a Payroll Director learns of an employee's death, he/she must stop the employee's direct deposit or check and hold all payments until they contact the State Retirement Board for beneficiary information. All payments owed to an employee after his/her death are to be paid out to the employee's designated beneficiary on file with the State Board of Retirement. Payments between all beneficiaries will be distributed consistent with the employee's election. If there are no designated beneficiaries on file, payment should be made to the employee's estate. This can be accomplished by going to the Paycheck name panel in HRCMS and entering the designees name on the panel.

Policy

All beneficiary payments must generate a 1099 for beneficiary tax reporting. Departments are responsible for submitting the necessary information to CTR Payroll Unit for 1099 processing.

Send to:

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Payments made within the same Tax Year as Date of Death must be reported on both the Employee's W-2 and the Beneficiary's 1099. Final wages are subject to all tax withholdings and applicable deductions as prior to death. Other payments made in the same tax year are only subject to any applicable Medicare Tax, Medicare Wages and State Retirement.

Payments made in a Tax Year other than Date of Death are only reported on the 1099 to the Beneficiary. No taxes or retirement are withheld.

Considerations

This policy applies to all Commonwealth Branches and Departments.

Internal Controls

The Office of the Comptroller establishes/identifies the policy on Payments to Deceased Employees.

Information Sources

- Related Procedure – None
- Legal Authority
 - IRS Instructions for Form 1099-MISC, Tax Year 2001
 - IRS Rev. Rule. 71-525, CB 1971-2, 356
 - Massachusetts General Laws, Chapter 7A, Sections 3, 7, 8
 - Massachusetts General Laws, Chapter 29, Sections 31A and 31D
- Attachments – [Deduction Guidelines for Deceased Employee Payments](#)
- Links - None
- [Contacts – CTR Help Desk](#)

- **November 1, 2006** – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal site.